

Press Release

Durga Processors Private Limited

September 09, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.92.00 Cr.
Long Term Rating	ACUITE BBB+/Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A2 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB+** (**read as ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs.92.00 Crore bank facilities of Durga Processors Private Limited. The outlook is '**Stable**'.

About the rated entity

Gujarat based, Durga Processors Private Limited was incorporated in 1998 and is promoted by Mr. Kunj Bihari Sultania. The company is engaged in dyeing and printing of various textile products on a job work basis. Durga Group is a Surat based group promoted by Mr. Kunj Bihari Sultania in 1997.

About the group

Durga Polysters Private Limited was incorporated in 1997 by Mr. Kunj Bihari Sultania and Mr. Vipul Desai. It was dormant till the present management acquired it and subsequently set up a dye processing unit at Surat, Gujarat. The company is engaged in dyeing and printing of various textile products on job work basis. The unit started commercial production from February 2010. Earlier the company was being managed by Desai family. Last year the promoters of Durga Processors Private Limited took over Durga Polysters Private Limited.

The group comprises of three companies, Durga Processors Private Limited, Durga Polysters Private Limited and Durga Agro Park Private Limited. Durga Processors Private Limited and Durga Polysters Private Limited is engaged into dyeing and printing of various textile products on a job work basis.

Durga Agro Park Private Limited was incorporated in 2012 by Mr. Kunj Bihari Sultania and Mr. Ashok Sultania. The company is engaged in agriculture and allied activities business.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Durga Polysters Private Limited and Durga Processors Private Limited together known as Durga Group, to arrive at this rating. The consolidation is on account of common management, a similar line of business, and financial linkages. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- Long track record of operations and experienced management**

Durga group was incorporated in 1997 by Mr. Kunj Bihari Sultania having an operational track record of more than two decades in the textile industry. Group's primary line of business is dyeing and printing of various textile products. Due to the long track record of operations, the group is considered as one of the top players in the aforementioned industry. Mr. Kunj Bihari Sultania possesses an experience of around three decades in the dyeing and printing industry. The extensive experience of the promoter has enabled the company to forge healthy relationships with customers. The group reported significant revenue growth with operating income of Rs.321.03 crore in FY2020 (Provisional) as against operating

income of Rs.286.98 crore in FY2019, Rs.209.02 crore in FY2018 and Rs.194.51 crore in FY2017. The increase in the revenues is mainly on account of increase in demand. Acuité believes that the group will continue to benefit from its experienced management and long track record of operation in dyeing and printing industry.

Acuité believes that the group will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

- **Comfortable financial risk profile:**

The financial risk profile of group is marked by healthy net worth, moderate gearing and strong coverage indicators. The tangible net worth of the group stood at Rs.125.72 crore as on 31 March, 2021 (prov.) what is the previous year's amount??? Acuité has included unsecured loans of Rs.44.97 crore as part of networth since the amount is subordinated to bank debt. The gearing and TOL/TNW stood at 0.89 times and 1.14 times as on 31 March, 2021 (prov.), against 1.54 times and 1.92 times as on March 31, 2020. Total debt of Rs.111.30 crore as on March 31, 2021 (prov.) consist of term loans of Rs.85.98 crores (including CPLTD), unsecured loans of Rs.1.24 crore, short term debt of Rs.24.08 crore, and CPLTD of Rs.16.50 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) comfortable at 3.24 times and 0.18 times, respectively, for FY2021 (prov.) as against 3.43 times and 0.17 times, respectively, in FY2020. The financial risk profile of the group is likely to remain at similar levels over the medium term.

Weaknesses

- **Working capital intensive operations**

The group has working capital intensive operations marked by Gross Current Assets (GCA) of 156 days for FY2021 (prov.) as against 122 days for FY2020. This is mainly on account of increase in debtor days to 91 days for FY2021 (prov.) from 67 days for FY2020. Reason for increase??? The inventory days stood low at 28 days for FY2021 (prov.). Acuité believes that the group's working capital will remain moderate over the medium term.

- **Highly competitive and fragmented nature of industry**

The group is operating in highly competitive and fragmented textile industry. It is exposed to intense competition from several organized and unorganized players operating in the industry. Group's income is derived from job work which is vulnerable to the intense competitive pressures and the cyclical nature inherent in the domestic textile industry. Further, limited value-added nature of job work operations might lead to a moderate level of margins and low return indicators. Acuité believes the adverse impact of COVID-19 on the industry can lead to longer in the revival of demand than expected and will have a significant impact on operations over the current financial year.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any debt funded capex plan impacting the financial risk profile.
- Elongation in working capital management

Material Covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The net cash accruals are expected to remain in range of Rs.25.00 – Rs.35.00 crores through FY22-24, against its maturing debt obligations of Rs.16.75-17.30 crore over the same period. The group maintains an unencumbered cash and bank balances of Rs.1.37 crore as on March 31, 2021. The current ratio of the group stood at 1.84 times as on March 31, 2021 (prov.). The average bank limit utilization for group stood high at around 60 percent for the last 6 months ended June 2021. The group had availed COVID loans which have been repaid. ACUITE believes, liquidity position of the group to remain adequate over the medium term.

Outlook: Stable

Acuité believes that Durga Group will continue to benefit over the medium term from the promoter's experience and established track record in the aforementioned industry. The outlook may be revised to 'Positive' if the group achieves more than envisaged sales while improving its liquidity. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve the expected revenue and profitability and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials (Conso.)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	283.86	322.63
PAT	Rs. Cr.	5.62	5.70
PAT Margin	(%)	1.98	1.77
Total Debt/Tangible Net Worth	Times	0.89	1.54
PBDIT/Interest	Times	3.24	3.43

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-09-2020	Cash Credit	Long Term	6.60	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	6.40	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	24.17	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	2.73	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	16.40	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	4.36	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	7.70	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	2.18	ACUITE BBB+/Stable (Reaffirmed)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-September-2019	Term Loan	Long Term	4.96	ACUITE BBB+/Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	6.60	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	6.40	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	27.40	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	16.85	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	15.74	ACUITE BBB+/Stable (Assigned)
22-August-2019	Bank Guarantee	Short Term	1.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Assigned)
	Proposed Bank Facility	Long Term	2.51	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	6.60	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	27.40	ACUITE BBB+/Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A2 (Assigned)

***Annexure – Details of instruments rated**

Name of the Lender	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of Baroda	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB+/Stable (Reaffirmed)
Bank of Baroda	Term Loan	Not Available	Not Available	Not Available	19.57	ACUITE BBB+/Stable (Reaffirmed)
Bank of Baroda	Term Loan	Not Available	Not Available	Not Available	2.02	ACUITE BBB+/Stable (Reaffirmed)
State Bank of India	Term Loan	Not Available	Not Available	Not Available	14.47	ACUITE BBB+/Stable (Reaffirmed)
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB+/Stable (Reaffirmed)
Kotak Mahindra Bank	Term Loan	Not Available	Not Available	Not Available	6.42	ACUITE BBB+/Stable (Reaffirmed)

Kotak Mahindra Bank	Term Loan	Not Available	Not Available	Not Available	5.07	ACUITE BBB+/Stable (Reaffirmed)
Kotak Mahindra Bank	Term Loan	Not Available	Not Available	Not Available	1.91	ACUITE BBB+/Stable (Reaffirmed)
Kotak Mahindra Bank	Term Loan	Not Available	Not Available	Not Available	4.40	ACUITE BBB+/Stable (Reaffirmed)
Kotak Mahindra Bank	Term Loan	Not Available	Not Available	Not Available	4.31	ACUITE BBB+/Stable (Reaffirmed)
Kotak Mahindra Bank	Term Loan	Not Available	Not Available	Not Available	0.14	ACUITE BBB+/Stable (Reaffirmed)
Kotak Mahindra Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB+/Stable (Reaffirmed)
Bank of Baroda	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2 (Reaffirmed)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.69	ACUITE BBB+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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